

CSR PRACTICES IN INDIA

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Abstract: CSR in India has traditionally been seen as a generous activity, and it's keeping with the Indian tradition, it was an activity that was performed but not deliberates. Corporate Social Responsibility refers to the set of policies, practices and programs integrated into business operations. Corporate organizations are the important part of the society, and are responsible to contribute something for the well being of the society. Various Corporations in India are struggling with a new role of discharging its responsibility towards society, environment, market place and workplace. CSR is a set of programs initiated by the corporations that fairly balances the claims of all key stakeholders by complying with the legal, ethical, commercial and other expectations of the society from a business endeavor. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. The present paper provides a brief account of corporate social responsibility (CSR) evolution, National voluntary guidelines, Companies Act 2013

Index Term : Corporate Social Responsibility, Responsibility towards Society, Companies Act 2013.

INTRODUCTION:

India has the world's richest tradition of corporate social responsibility. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years. CSR activity also focus on CSR in India has evolved through different Perspective like

Business Perspective

Focuses on the importance of 'reputation capital' for capturing and sustaining markets. CSR is nothing but a new business strategy to reduce investment risk and maximize profits by taking all the stakeholders into assurance¹.

Eco -Social Perspective

Recognizes the fact that social and environmental stability and sustainability are two major prerequisites for sustainability of the market in the long run. CSR is both a value and a strategy for ensuring sustainability of a business¹.

Right -Based Perspective

Focuses on the fact that consumers, employees, stakeholders and affected communities have a right to know about corporations and their businesses. It stresses accountability, transparency, and social and environmental investment as major aspects of CSR¹.

Background of the study:

CSR (Corporate Social Responsibility) is a means to sort out these problems of society & also related to environment to some extent because business is a part of society. Earning more and more profits is a natural phenomenon of every business unit but social responsibility is an obligation to the people living inside and outside the business organizations. Business comes in contact with various groups of society such as owners, employees, customers, government, suppliers etc. The responsibility of business, which includes satisfaction of these parties along with the owner, is called social responsibility of business.

Today, Government has also come as an initiative to control those business activities by introducing the Company Act – 2013. So every organization has to follow it and make contribution for the development of the society. The government suggested time to time to the business units that the corporate should enact a framework related to CSR Guideline under the area like its areas, community engagement, global warming, water management, manage the use of natural resources, human rights hunger and poverty, promotion of education, women empowerment, reduction in child mortality and improving national health, environmental sustainability, enhancement, employment and vocational skills etc.

Literature Review:

Gond, Crane (2008), made an analysis on the distortion of corporate social performance concept. The research analyzed that the past researches and found some reason of emerging fall in the interest of corporate social performance research among the scholars. The paper also suggested models on the basis of which the researcher explained that why the CSP concept has lost its importance and development. Further, the researcher depicted some model which the researcher can use in their research related to corporate social performance. The paper argued that tensions and contradictions are the starting point to develop the CSP concept. CSP has an umbrella of activities which need to measure differently in order to move the researches from a simple concept to development².

Shah, Bhaskar (2010), has taken a case study of public sector undertaking i.e. Bharat Petroleum Corporation Ltd. in their research work. The research has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization used the resources/inputs of the society like material and human etc. In reverse, the organization provides services to the society. From the case study of the BPCL, it was found that company has taken a lot of initiatives in order to serve the society².

Objective of the Study:

- To Study the Evolution of CSR activities in India.
- To Study principles and the core elements of the National Voluntary Guidelines.
- To study the Contribution of Company Act-2013 in CSR Activities in India.

Research Design-

It is a cross sectional study which is descriptive in nature. It involved secondary data collection and use of analysis technique to assess Evolution of CSR Activities, Volunteer guideline, Company act-2013 for CSR activities in India.

EVOLUTION OF CSR

Its history and evolution can be divided into four major phases.

PHASE 1 (1850 TO 1914)

The first phase of CSR is known for its charity and charitable nature. CSR was influenced by family values, traditions, culture and religion, as also industrialization. The wealth of businessmen was spent on the welfare of society, by setting up temples and religious institutions. In times of lack and food crisis these businessmen opened up their granaries for the poor and hungry. With the start of the imposing era, this approach to CSR underwent a significant change. In pre-Independence times, the pioneers of industrialization, names like Tata, Birla, Godrej, Bajaj, promoted the concept of CSR by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. During this period social benefits were driven by political motives³.

PHASE 2 (1910 TO 1960)

The second phase was during the Independence movement. Mahatma Gandhi urged rich industrialists to share their wealth and benefit the poor and marginalized in society. His concept of trusteeship helped socio-economic growth. According to Gandhi, companies and industries were the 'temples of modern India'. He influenced industrialists to set up trusts for colleges, and research and training institutions. These trusts were also involved in social reform, like rural development, education and empowerment of women³.

PHASE 3 (1950 TO 1990)

This phase was characterized by the emergence of PSUs (Public Sector Undertakings) to ensure better distribution of wealth in society. The policy on industrial licensing and taxes, and restrictions on the private sector resulted in corporate malpractices which finally triggered suitable legislation on corporate governance, labor and environmental issues. Since the success rate of PSUs was not significant there was a natural shift in expectations from public to private sector, with the latter getting actively involved in socio-economic development. In 1965, academicians, politicians and businessmen conducted a nationwide workshop on CSR where major emphasis was given to social accountability and transparency³.

PHASE 4 (1980 ONWARDS)

In this last phase CSR became characterized as a sustainable business strategy. The wave of liberalization, privatization and globalization (LPG), together with a comparatively relaxed licensing system, led to a boom in the country's economic growth. This further led to an increased momentum in industrial growth, making it possible for companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility.

NATIONAL VOLUNTARY GUIDELINES

National Voluntary guideline is applicable to all businesses irrespective of size, sector or location. These guidelines were designed with the aim of assisting enterprises to become responsible entities much before the CSR Act (Companies Act-2013) came into force. In fact various propositions from NVG have been taken into consideration for structuring the Companies Act. The principles behind the guidelines are as follows:⁴

PRINCIPLE 1: Businesses should conduct and govern themselves with ethics, transparency and accountability

PRINCIPLE 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

PRINCIPLE 3: Businesses should promote the well-being of all employees

PRINCIPLE 4: Businesses should respect the interests of, and be responsive to, all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

PRINCIPLE 5: Businesses should respect and promote human rights.

PRINCIPLE 6: Businesses should respect, protect, and make efforts to restore the environment.

PRINCIPLE 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

PRINCIPLE 8: Businesses should support inclusive growth and equitable development.

PRINCIPLE 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

COMPANY ACT-2013

The provisions of the CSR Act apply to all companies that have any one of the following in any financial year

Net worth of INR 500 crores or more

Turnover of INR 1,000 crores or more

Net profit of INR 5 crores or more

- An average of the previous three financial years' PAT will be considered for calculating the 2% for CSR.
- CSR policy of a company should ensure that surplus arising out of a CSR activity will not become part of business profits.
- CSR policy should specify that the CSR corpus will include the following: a) 2% of average net profit; b) any income arising thereof; c) Surplus arising out of CSR activities.
- Companies may collaborate or pool resources with other companies to undertake CSR activities and any expenditure incurred on such collaborative efforts will qualify for computing CSR spending.
- All companies falling under the provision of Section 135 (1) of the Act should report, in the prescribed format, the details of their CSR initiatives in the director's report and on the company's website.

■ In case a company has failed to spend 2% of the average net profit, the reason for doing so should be mentioned in the annual board report⁵.

Schedule VII Activities

- Eradicating extreme hunger & poverty
- Promotion of education
- Promoting gender equality and empowering women
- Reducing child mortality and improving maternal health
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
- Ensuring environment sustainability
- Employment enhancing vocational skills
- Social business projects
- Contributions to Prime Minister Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and fund for the welfare of the Scheduled Caste and Schedule Tribe Such other matters as may be prescribed.

CONCLUSION

Being a new concept in the context of company Act- 2013, there could be varied views regarding CSR. There will be an advantage to the companies contributing towards CSR activities because it will enhance their image as socially responsible entities which understand the need of the day towards the society. A Company can specifically declare its CSR policy each year as Annexure to Directors reports in clear terms which may relate to eradicating hunger and poverty, promotion of education, women empowerment, reduction in child mortality and improving national health, environmental sustainability, enhancement, employment and vocational skills or contributions to Central or State Government set up funds including the Prime Ministers National Relief Fund or in regard to any other area prescribed by the Government from time to time. While some innovative companies have managed to overcome this challenge through smart partnering which has emerged as one way to create value for both the business and society simultaneously, we are to witness how corporate' can develop an approach that can truly deliver on the ambitions.

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